

IMPORTANT REMINDERS

- If the decedent died TESTATE you must supply a legible copy of the WILL, CODICILS and any SEPA-RATE WRITING.
- A copy of the decedent's last full year's FEDERAL INCOME TAX RETURN is required.
- All returns, forms and correspondence must contain the decedent's name and SOCIAL SECURITY NUMBER.
- PAYMENTS ON ACCOUNT should be made to avoid the accrual of interest.
- All CHECKS should be made payable to NJ INHERITANCE AND ESTATE TAX and sent to the New Jersey Division of Taxation, Inheritance and Estate Tax, PO Box 249, Trenton, New Jersey 08695-0249.

GENERAL INFORMATION

Inheritance and Estate Tax

Individual Tax Audit Branch
Inheritance and Estate Tax
New Jersey Division of Taxation
PO Box 249
Trenton, New Jersey 08695-0249
(609) 292-5033
www.state.nj.us/treasury/taxation/

O-10-C
(11-03, R-5)

INTRODUCTION

New Jersey has had an inheritance tax since 1892 when a 5% tax was imposed on property transferred from a deceased person ("decedent") to a beneficiary. Currently, the law imposes a graduated inheritance tax ranging from 11% to 16% on the transfer of real and personal property with an aggregate value of \$500 or more to certain beneficiaries. New Jersey first enacted an Estate Tax in 1934. Its purpose was to fully absorb the credit for state estate, inheritance, succession or legacy taxes allowable in the Federal estate tax proceeding.

AMENDMENTS TO AN ORIGINAL RETURN

In the case of both resident and non-resident estates, any assets or liabilities not disclosed in the original return should be reported in the form of a supplemental affidavit executed by the duly authorized representative of the estate, next of kin, or beneficiary. Data submitted should consist of a thorough but concise description of the items being reported, including the fair market value of each on the decedent's date of death. The supplemental affidavit along with supporting documentation should be forwarded to the Individual Tax Audit Branch - Inheritance and Estate Tax in Trenton.

FORMS, INSTRUCTIONS

Necessary forms and instructions concerning the procedure to be followed in completing an inheritance tax or estate tax return may be obtained at or from the Individual Tax Audit Branch - Inheritance and Estate Tax in Trenton or downloaded from the Division's web page at www.state.nj.us/treasury/taxation/.

WHEN INHERITANCE TAX RETURNS ARE DUE

An inheritance tax return must be filed and the tax paid on the transfer of real or personal property within eight months after the death of either:

A resident decedent for the transfer of real or tangible personal property located in New Jersey or intangible personal property; wherever situated or

A nonresident decedent for the transfer of real or tangible personal property located in New Jersey. No tax is imposed on nonresident decedents for intangible personal property.

A return must be filed whenever any tax is due or when benefits are passing to other than Class "A" beneficiaries. The tax is a lien on all property for 15 years, unless paid sooner or secured by acceptable bond. Interest on unpaid tax will accrue at the rate of 10% per annum beginning 8 months after a decedent's date of death.

The return should be filed directly with the Individual Tax Audit Branch - Inheritance and Estate Tax in Trenton.

BENEFICIARY CLASSES and TAX RATES

There are five Inheritance tax beneficiary classes ranging from "A" to "E", as follows:

- Class "A" - Father, mother, grandparents, wife, husband, child or children of a decedent, adopted child or children of a decedent, issue of a child or legally adopted child of a decedent, mutually acknowledged child and stepchild (includes a grandchild and great-grandchild but not a step-grandchild or a great-stepgrandchild).

Rate: Exempt from tax in estates of decedent's dying on or after 7/1/88.

- Class "B" - Deleted by amendment 7/1/63.

- Class "C" - Brother or sister of a decedent, wife or widow of a son of a decedent, or husband or widower of a daughter of a decedent.

Rate for Each Beneficiary		
First	\$25,000	No tax
Next	\$1,075,000	@ 11%
Next	\$300,000	@ 13%
Next	\$300,000	@ 14%
Over	\$1,700,000	@ 16%

- Class "D" - Every other transferee, distributee or beneficiary not otherwise classified.

Rate for Each Beneficiary		
First	\$700,000	@ 15%
Over	\$700,000	@ 16%

- Class "E" - Transfers to the State of New Jersey or any of its political subdivisions for public or charitable purposes, an educational institution, church, hospital, orphan asylum, public library, and certain other nonprofit agencies, etc.

Rate: Totally exempt.

For rates applicable to estates of decedent's who died prior to 7/1/88, contact the Individual Tax Audit Branch - Inheritance and Estate Tax in Trenton.

EXEMPTIONS

In addition to the exemptions listed under "Beneficiary Classes and Tax Rates", no inheritance tax is imposed on:

- Transfers to a beneficiary having an aggregate value of less than \$500.
- Life insurance proceeds paid to a named beneficiary.

- Charitable transfers for the use of any educational institution, church, hospital, orphan asylum, public library, etc.
- Transfers for public purposes made to New Jersey or any political subdivision of the State.
- Payments from the New Jersey Public Employees Retirement System, the New Jersey Teachers' Pension and Annuity Fund and the New Jersey Police and Firemen's Retirement System.
- Federal Civil Service Retirement benefits payable to a beneficiary other than the estate or the executor or administrator of a decedent's estate.
- Annuities payable to survivors of military retirees.

ESTATE TAX

In addition to the inheritance tax, the State of New Jersey imposes an estate tax on the estate of certain resident decedents. The estate tax is an amount equal to the credit allowable for State estate, inheritance, succession or legacy taxes under federal estate tax law less the aggregate amount of all such taxes paid to any State, U.S. territory or the District of Columbia.

Even estates that are partially or fully exempt from inheritance tax may be subject to the New Jersey Estate Tax.

For decedents dying on or before 12/31/01 the credit allowable is calculated in accordance with the provisions of the Internal Revenue Code in effect on the decedent's date of death.

For decedents dying after 12/31/01, the credit allowable is calculated in accordance with the provisions of the Internal Revenue Code in effect on 12/31/01.

For decedents dying after 12/31/01, as an alternative to filing a completed 2001 Form 706, the estate may use the simplified tax system to compute the New Jersey estate tax. This method is based upon the net estate as determined for New Jersey inheritance tax with certain adjustments. The simplified method may not be used if the estate files or is required to file a federal estate tax return (Form 706) with the Internal Revenue Service.

For decedents dying after 12/31/01, there is a limitation on the amount that the estate tax may be reduced for taxes paid to other jurisdictions. The allowance for taxes paid to other jurisdictions is limited to the same portion of the estate tax as the property subject to tax in the foreign jurisdiction bears to the entire New Jersey taxable estate.

The New Jersey Estate Tax obligation is in no way discretionary on the part of the taxpayer. It may not be satisfied by payment of the appropriate amount to the federal government in lieu of claiming the credit allowable for federal purposes. For decedents dying after 12/31/01, a tax return must be filed if the gross estate as determined in accordance with the provisions of the Internal Revenue Code in effect on 12/31/01 exceeds \$675,000.

For the estates of decedents dying after 12/31/01, the estate tax is a lien on all property of a decedent as of the decedent's date of death and no property may be transferred without the written consent of the Director.

For decedents dying on or before 12/31/01, the estate tax return must be filed within nine months after a decedent's death. For decedents dying after 12/31/01, the estate tax return must be filed within nine months plus thirty days after a decedent's death. If the simplified tax system is used, the return must be filed within nine months of the decedent's death.

For the estates of decedents dying on or after 3/1/92 interest accrues at the rate of 10% per annum on any New Jersey Estate Tax not paid within nine months of the decedent's date of death unless an extension of time to file the Federal Estate Tax return is granted. The Director of the Division of Taxation may then reduce the interest rate to 6% per annum until the expiration of the Federal extension.

For estates of decedents dying prior to 3/1/92, interest accrues at the rate of 6% per annum on any New Jersey Estate Tax not paid within eighteen months of a decedent's death or within 60 days of the final determination of the Federal Estate Tax by the Federal authorities, whichever is later.

FEDERAL ESTATE TAX RETURN

The law requires that a copy of the Federal Estate Tax return be filed with the Division within 30 days after the filing of the original with the Federal government. Also, a copy of any communication from the federal government making any final change in the return, or confirming, increasing, or reducing the tax shown to be due must be filed with the Division within 30 days of receipt.

INHERITANCE AND ESTATE TAX WAIVERS

Certain property in the name of or belonging to a decedent cannot be transferred without the written consent of the Director, Division of Taxation. This consent, commonly known as a "waiver", will not be granted until any tax due has been paid or provided for.

A. PERSONAL PROPERTY

1. Waivers are not required for automobiles household goods, accrued wages or mortgages, but these assets must be reported in the tax return(s) filed.
2. Under current statute, a membership certificate or stock in a cooperative housing corporation held in the name of a decedent and a surviving spouse as joint tenants with right of survivorship is exempt from the Inheritance Tax. However, a waiver is required to transfer ownership to the survivor.
3. In the estate of a resident decedent, banks, savings and loan associations, and buildings and loan associations may release 50% of all funds on deposit with them to the proper party prior to the issuance of a waiver. The full amount on deposit as of the date of death of decedent must be listed in the tax return(s) and will eventually require a waiver. This procedure is referred to as a BLANKET WAIVER and is not available for the transfer of stocks and bonds. For a detailed explanation see N.J.A.C. 18:26-11.16.
4. A SELF-EXECUTING WAIVER, FORM L-8, has been created for use in the estate of a RESIDENT decedent. This form may be used in most cases to transfer bank accounts, stocks, bonds and brokerage accounts, when the transfer is to a Class "A" beneficiary.

Proper use of this form MAY eliminate the need to file a formal tax return(s). However, the Form L-8 cannot be used for the transfer of real estate nor when, for decedents dying after 12/31/01, the taxable estate plus adjusted taxable gifts exceeds \$675,000.00 for Federal Estate Tax purposes under the provisions of the Internal Revenue Code in effect on 12/31/01.

The completed Form L-8 is filed with the financial institution or transfer agent which will then be authorized to release the subject asset, if warranted, without the necessity of receiving a waiver from the Division. DO NOT file this form with the Division.

B. REAL PROPERTY

1. Unpaid inheritance and estate taxes constitute a lien on real property and tax waivers are required to transfer the realty. However, real property held by husband and wife as "tenants by the entirety" in the estate of the spouse first dying need not be reported and may be transferred without a waiver, regardless of the date of death.

2. A REQUEST FOR A REAL PROPERTY TAX WAIVER, Form L-9 has been created for use by class "A" beneficiaries in the estates of RESIDENT decedents. This form may be used if the entire estate is untaxable and passes to Class "A" beneficiaries and the only reason to file a return is to obtain a waiver for real property.

Use of this form may eliminate the need to file a formal tax return(s).

Form L-9 may not be used when, for decedents dying after 12/31/01, the gross estate exceeds \$675,000.00 for Federal estate tax purposes under the provisions of the Internal Revenue Code in effect on 12/31/01 or there is any NJ Estate Tax payable.

This form is to be filed with the Individual Tax Audit Branch - Inheritance and Estate Tax in Trenton. If the form is in order, the necessary waiver(s) will be promptly issued.

NEITHER THE L-8 OR L-9 MAY BE USED WHEN IT IS CLAIMED THAT A RELATIONSHIP OF MUTUAL-ACKNOWLEDGED CHILD EXISTED.

SAFE DEPOSIT BOXES

Safe deposit boxes are no longer inventoried by the New Jersey Division of Taxation. The Division has issued a blanket release in the form of a letter from the Director, Division of Taxation to all banking institutions, safe deposit companies, trust companies, and other institutions which serve as custodians of safe deposit boxes. The contents of the boxes may be released without inspection by the Division.